

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of)
)
Joint Petition for Agreement with)
Designation of Rural Company Eligible)
Telecommunications Carrier Service)
Areas at the Exchange Level filed by)
the Washington Utilities and)
Transportation Commission,)
Asotin Telephone Company,)
Century Tel of Cowiche, Ellensburg)
Telephone Company, CenturyTel of)
Washington, Hat Island Telephone Company,)
Hood Canal Telephone Co., Inc.,)
Inland Telephone Company, Kalama)
Telephone Company, Lewis River Telephone)
Company, Mashell Telecom, Inc., McDaniel)
Telephone Company, Pend Oreille Telephone)
Company, Pioneer Telephone Company,)
St. John Cooperative Telephone and)
Telegraph Company, Tenino Telephone)
Company, the Toledo Telephone Co., Inc.,)
United Telephone Company of the Northwest,)
Western Wahkiakum County Telephone)
Company, Whidbey Telephone Company,)
and Yelm Telephone Company)

CC Docket No. 96-45
DA 98-1691

REPLY

On August 14, 1998, the Washington Utilities and Transportation Commission (WUTC) and twenty rural local exchange carriers (Petitioners) filed a joint Petition with the Commission requesting approval of the WUTC's designation of rural eligible telecommunications carriers'

Washington UTC, et. al Petition
NECA Reply - September 28, 1998

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(ETCs) service areas at the exchange level.¹ Eight parties, including NTCA, OPASTCO, NRTA, USTA, GTE, TDS Telecom, TCA, Inc., Sprint, Western Wireless, and the Idaho Public Utilities Commission, submitted comments.

Currently, 47 U.S.C. § 214 (e)(5) and section 54.207 (b) of the Commission's rules define a rural telephone company's service area as a company's study area.² Petitioners request waiver, however, so as to allow the WUTC to designate service areas below the study area level. Petitioners also request waiver of the Commission's rules governing "portable" universal service funds,³ so as to allow for distribution of universal service support to eligible telecommunications carriers on the basis of costs at the exchange level.

NECA agrees with the Rural Telephone Coalition (RTC)⁴ and other commenters that the Commission should grant the requested waivers, but should not establish the Washington proposal as a *de facto* standard for disaggregating interstate universal service support in other areas.⁵ As TCA cautions, other methods may better fit the circumstances of rural companies

¹ See *Public Notice*, Common Carrier Bureau Seeks Comment on the Washington Utilities and Transportation Commission's and Twenty Rural Telecommunications Companies' Petition for Agreement with Designation of Rural Company Eligible Telecommunications Carrier Service Areas at the Exchange Level and for Approval of the Use of Disaggregation of Study Areas for the Purpose of Distributing Portable Federal Universal Service Support, CC Docket No. 96-45, DA 98-1691 (rel. August 24, 1998).

² A service area is the overall area for which a carrier will receive support from the federal universal support mechanisms. 47 C.F.R. § 54.207 (a)

³ 47 C.F.R. § 54.307 (a).

⁴ See RTC at 3-4.

⁵ See RTC at 5-6.

located in other states.⁶ Much work needs to be done on developing accurate forward-looking cost models for rural telephone companies. While the approach favored by the WUTC may prove workable on an interim basis, subsequent developments in forward-looking cost methods for rural companies may require that other methods be utilized.⁷ At that time it may become necessary to revise universal service distribution methods adopted in individual states.

Also, as NECA has previously indicated, changes in universal service support levels could have significant adverse effects on universal service and on access rates charged by NECA member companies.⁸ NECA therefore supports the WUTC's proposed use of BCPM output data solely for the limited purpose of deriving factors to reallocate current, cost-based universal service support amounts within rural study areas. This approach is consistent with suggestions made by NECA and others in the Commission's universal service proceeding.⁹

NECA therefore agrees with those commenters that support approval of the Washington proposal for an interim period, and shares their concerns that the WUTC approach should not be applied broadly to rural companies in other states. Substantial additional study of forward-looking cost methods for rural companies is required. As these methods become more well-

⁶ TCA, Inc. at 4-5.

⁷ For example, it may be the case that universal service support for rural carriers may need to be disaggregated to more narrowly targeted areas, depending on the rural carrier and costs associated with particular areas in need of telephone service. *See* TCA, Inc. at 2 and TDS Telecom at 6.

⁸ *See, e.g.*, NECA Comments, CC Docket Nos. 96-45 and 97-160 at 3 (filed May 15, 1998); NECA Comments, CC Docket 96-45 and 97-160 at 304 (filed June 1, 1998).

⁹ *See, e.g.*, NECA Comments, CC Docket No. 96-45 at 9-10 (filed April 12, 1996); NECA Reply, CC Docket No. 96-45 at 12 (filed May 7, 1996).

defined, alternative methods for distributing support may be developed that better assure the availability of "specific, predictable and sufficient" universal service support to rural telephone companies.

Respectfully submitted,

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September 28, 1998

CERTIFICATE OF SERVICE

I certify that a copy of NECA's Reply concerning the Washington Utilities and Transportation Commission et. al Petition in CC Docket No. 96-45, has been served this 28th day of September, 1998 via hand delivery or United States postage, first class mail, to the parties listed below.



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